

**UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT**

THE MODERN DEVELOPMENT ENTERPRISE

WELCOME/MODERATOR:

NANCY BIRDSALL

DIRECTOR

CENTER FOR GLOBAL DEVELOPMENT

SPEAKER:

RAJIV SHAH

ADMINISTRATOR

USAID

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MR. : Good afternoon. If you don't have a seat, now would be a good time to get one. I understand that Administrator Shah has arrived and will be joining us shortly. Also, avoid embarrassing yourself if you haven't done so already: Turn off anything that might make noise during the talk. We'll be beginning in just a few minutes.

NANCY BIRDSALL: Good afternoon, ladies and gentlemen. I'm Nancy Birdsall, the president of the Center for Global Development. We are very pleased indeed to host USAID Administrator Rajiv Shah at the center today and very eager to hear what he'll have to say about the Obama administration's ongoing effort to strengthen U.S. global development policy and programs.

It's very nice to see this very large and distinguished crowd. I'm particularly pleased to welcome the chairman of our board, Ed Scott, who's here, and two former USAID administrators that I believe are also here and are members of our board, Henrietta Fore and Peter McPherson, and several other board members. You've really brought out the crowd, Administrator Shah.

I want to give a special warm welcome to Administrator Shah's parents. As a parent myself, I can imagine you must be indeed very proud and very impressed. And I see two very special former CGD colleagues in the room who are now at USAID. So it's really a great afternoon for me and for us.

Administrator Shah, you can see by this crowd that there is plenty of interest in Washington in development and in smarter U.S. foreign aid. But I do think, honestly, the crowd also reflects a particular interest in you, in what you yourself have to say, in what is, I believe, going to be a major speech on U.S. development policy and programs.

When Secretary Clinton spoke here at the center just a year ago, she made these two promises: that she would elevate development to an equal place with defense and diplomacy in U.S. foreign policy and that she would work to ensure USAID becomes, once again, the world's premier development agency. I do think one of the best steps she could have taken in those two directions was to appoint Administrator Shah as head of USAID.

As many of you know, the Centers for Search, Policy Work and Communications are all about improving the policies and

practices of the rich and powerful around the world toward the world's poor and vulnerable.

With President Hu of China meeting with President Obama today, there is a lot of talk about geopolitical shifts in power and influence and what feels like a diminishing role for the United States in the world.

But this is wrong. The "diminishing role" is not right. The United States is still the world's largest economy and the leader of the Free World and still has enormous unrealized potential to make a difference and better lives beyond our borders in line with our values as a democratic and generous nation and our interests in our own security and prosperity.

So at the center, we pay a lot of attention to what the United States is doing on development. Just before the 2008 presidential election, we published a book, "The White House and the World: A Global Development Agenda," for the then-incoming U.S. administration with essays by our in-house fellows on education, climate, the role of business and technology, global health, trade, migration and the how-and-why of reform of our foreign assistance programs.

Among the recommendations in that book were that the president use his bully pulpit to champion global development and generate bipartisan support for fundamental reform of U.S. development programs and policies.

The administration has since completed the first-ever Presidential Study Directive on Global Development Policy and the Quadrennial Diplomacy and Development Review.

We like the vision. The vision is there. At USAID, the leadership is now there. But this is a critical moment in development policy for the U.S. and for USAID. Will the vision be realized in terms of implementation?

In the case of what can be done at USAID itself, we are especially hopeful. Administrator Shah - Raj - has been leading key informal, internal nuts-and-bolts reforms at USAID. I'll name them quickly: procurement reform, a tough political and bureaucratic challenge; the creation of a policy planning-and-learning shop; the reestablishing of a budget office, which we hope will be an equal partner, eventually, with the State Department in working with OMB; and most important, changes in internal incentives to inspire innovation and use of technologies and, we hope, in the way programs are designed and

delivered. And finally, even more, more important, a commitment to evaluation and learning, to using evidence of what works to continuously learn and adjust.

We take a lot of pride in the fact that Raj was a member of a CGD working group on evaluation of aid and other development programs, which published its final report in 2006. We hope he learned something from us as well as obviously contributing immensely to that report himself.

At the center, we have now a Rethinking U.S. Foreign Assistance Program under the new leadership of Connie Veillette, who is here, and that program is tracking reforms at USAID. Connie has also set up our new USAID Monitor and promises me that that monitor, like the MCA Monitor created in 2005, will generate a constant stream of analysis and thoughtful commentary on the progress of the reforms at USAID and on the other challenges I imagine Administrator Shah will address in his remarks today.

I'll forego the biography of our speaker which is very long and distinguished and just say that Raj brings tremendous talents – smarts, passion for development, strategic thinking – to the helm at USAID.

He may not remember but we first met in 2003, I think it was, in Paris – what good luck – where he was planting the seeds of one of his many initiatives and innovations while at the Gates Foundation, namely the creation of a special financing facility for child immunizations in developing countries. Indeed, his bio is sprinkled with initiatives and innovations at Gates Foundation, at the Department of Agriculture and now we see emerging at USAID.

What I liked about Raj when I first met him and now still is his combination of obvious smarts, tremendous energy, openness to new ideas and frankly, readiness to have fun too. On his bio, let me end by saying Raj already has behind him a lifetime of accomplishments. At the same time, I think I am old enough to be allowed to say – and this is for his parents especially – (laughter) – he is still, remarkably, a young man of promise.

Raj, you have the floor. (Applause.)

ADMINISTRATOR RAJIV SHAH: Thank you so much, Nancy. That's a really kind – (inaudible, applause). Thank you.

Wow. What a great group. Thank you so much for being here. Thank you, Nancy, for that very generous and very kind introduction.

I couldn't begin to describe all the things I've learned from Nancy and all of the people she's assembled at the Center for Global Development over these years and I won't go through the process of thanking every single individual here but I do owe, as I look around this room, everyone here a personal thank-you for your support, encouragement and your support of development and USAID.

CGD is such a special place. You have advocated on behalf of development and on behalf of aid but you've also put forth a constant and very intelligent set of ideas for how to reform development and USAID and we have heard both aspects of that and are doing our best to implement it.

You know, nearly every member of this administration, myself certainly included, has described our approach to development: focused on sustainable economic growth, committed to mutual accountability, selective in scope and concentrating foremost on results. But I'm not here to do that today. You

don't need another speech on the principles that define our approach to development.

Instead, I hope to describe how USAID has been busy executing that approach and to ask for your help and your support to capture the limited opportunity I believe we have to elevate development as a major part of how America engages around the world.

When I took office a year ago, the development community made clear if the United States was to play a leading role in international development, USAID would have to be strengthened and empowered with certain authorities that have been stripped from the agency over the course of decades. We heard you.

One year ago, Secretary Clinton began that effort right here, pledging that USAID would be rebuilt into the world's premier development agency. Four months ago, President Obama stood in front of the United Nations General Assembly and declared that goal to the world, making it a central pillar of his Presidential Policy Directive on Development. Just one month ago, we presented a blueprint for meeting that goal in the Quadrennial Diplomacy and Development Review.

But we didn't wait. Earlier this year, we instituted a series of reforms we now call USAID Forward. Thanks to those reforms, our agency is fundamentally changing, becoming more efficient, more effective and more businesslike, freeing our talented staff to achieve great results.

We've embarked on this effort to transform how development is delivered because development is not and cannot be a sideshow. As the president and the secretaries of state, Treasury and defense have all made abundantly clear, development is as critical to our economic prospects and our national security as diplomacy and defense.

That's why our reforms are not simply trying to update the traditional version of an aid agency. Instead, we are seeking to build something greater: a modern development enterprise. Like an enterprise, we are developing and executing more innovative and more focused strategies across each of our areas of excellence.

When we unveiled our government strategy for meeting the Millennium Development Goals, we recognized the enormous development progress the world had made in recent decades. Since 1990, hundreds of millions of people have moved out of

poverty and suffering and the number of children that die before the age of five has dropped by a third. But we also realize that much more is yet to be done and simply doing more of the same would not lead to further success.

As a result, we've changed the way we work in each of our areas of focus. Instead of merely providing food aid in times of emergency, we are helping countries develop their own agricultural sectors so they can feed themselves. We launched Feed the Future, bringing together resources across the federal government and engaging in deeper partnerships to extend the impact of our work.

We are now leveraging more investment from countries themselves and from other donors towards this purpose. Firms ranging from General Mills to local African seed companies are all doing more. As a result, in just five out of our 20 focus countries, we believe we can help nearly 6.5 million small farmers, mostly poor and mostly women, grow enough food to feed themselves, their families, and break the grip of hunger and poverty for tens of millions of people. This is smarter and this is less costly than dealing with the food riots, famines and failed states that are caused when people do not have access to food.

In our Global Health Initiative, instead of scattered approaches that fight individual diseases one at a time, we are pursuing an integrated approach that will generate efficiencies and strengthen health systems.

We are now working with partners such as the NIH, the CDC and PEPFAR to build on recent advances in science, technology and innovation, especially in very high return on investment areas such as vaccinating children; preventing HIV, malaria and TB; and focusing on child nutrition and maternal health, particularly during pregnancy and the first two years of life for young children. This will get better results at lower costs.

Our relentless focus on getting better results at far lower costs really does apply to everything we do. After our response to the tragic earthquake in Haiti, I commissioned a lessons learned review led by CGD alum, Ruth Levine. Today, we are acting on the findings of that study by speeding the time especially between immediate response, recovery and long-term development in every crisis in which we engage.

Because we know we are safer and more prosperous in a world with more South Koreas and fewer North Koreas, we have prioritized economic growth and democratic governance in every single engagement we undertake. But in doing so, we are rejecting the traditional assumption that a series of development projects alone can lead to sustained economic growth.

Instead, we are developing partnerships for growth with countries committed to enabling private-sector investment that is the basis of sustained economic development. And we're stretching our dollars and leveraging the private sector. Through our Development Credit Authority, for example, we can attract \$27 of private investment for every dollar we invest.

Instead of merely paying to hold more elections, we are now funding more open-government technologies to quickly and significantly increase transparency so citizens can hold their own governments accountable. For example, our new development innovation venture fund, inspired by venture capital model of investment supported an effort to test the use of mobile phone-based election monitoring systems in Afghanistan.

We are trying to bring a similar spirit of innovation, science, technology and smarter strategic thinking to each of our areas of core focus: gender, education, water and climate. In each of these areas, we either have already or will soon release comprehensive strategies that detail how we can achieve development gains faster, more sustainably and at lower costs so more people can benefit.

Like an enterprise, we're relentlessly focused on delivering results and learning from success and failure. Remember, USAID used to be the world leader in development evaluation, creating many of the standards that are currently employed throughout the development community. But we've fallen far from that world-class distinction.

In 1994, USAID conducted nearly 500 independent evaluations. By the time I arrived, only 170 evaluations were submitted to Washington, despite a threefold increase in programs managed. In many instances, our project evaluations have been commissioned by the same implementing organizations that run the programs.

Often, what passes for evaluation follows a two-two-two model. Two contractors spending two weeks abroad conducting two

dozen interviews. For about \$30,000, they produce a report that no one needs and no one reads. And the results they claim often have little grounding in fact.

One of our implementing partners - and you've got to hear this to believe it, claimed over a quarter-of-a-million people benefited from a \$14,000 rehabilitation of an Iraqi morgue. (Laughter.) This has led to a relationship between implementing partners and evaluators akin to that between investment banks and ratings agencies.

Just like investors couldn't tell the difference between AAA investments and junk, taxpayers can't tell the difference between development breakthroughs and subprime development. Today, I'm announcing a new evaluation policy that I believe will set a new standard in our field. By aggressively measuring and learning from our results, we will extend the impact of our ideas and of knowledge we helped generate.

Every major project will require a performance evaluation conducted by independent third parties, not by the implementing partners themselves. Instead of simply reporting our results like nearly all aid agencies do, we will collect baseline data and employ study designs that explain what would have happened

without our interventions so we can know for sure the impact of our programs.

And in the spirit of the extreme transparency I promised when I joined USAID, we will release the results of all of our evaluations within three months of their completion, whether they tell a story of success or failure. We're going to integrate this project evaluation data into our foreignassistance.gov dashboard.

We also have joined an effort that CGD has pioneered, the International Initiative for Impact Evaluation, which grew out of that working group, Nancy, that you made reference to.

I want the American taxpayer to know that every dollar they invest in USAID is being invested in the smartest, most efficient and most transparent way possible. Like an enterprise, we realize the crucial importance of our diverse talent.

At points throughout our history, USAID was a top destination for talented men and women pursuing the discipline of development. I know that because many of those talented

employees are still there. People like George Laudato of our Middle East bureau or Bambi Arellano, the agency's counselor.

I'm proud to say that USAID is now once again a top destination for those pursuing this discipline. Just last week - you'll enjoy this - I was late to a meeting because I got caught up in the hallway where Steve Radelet and Michael Kremer, two of the world's leading development economists were having an argument. (Laughter.)

Any of us who has - anyone who has worked with us recently knows how valuable it is to have a Senate-confirmed leader like Nancy Lindborg in charge of our democracy, conflict and humanitarian assistance or a leading foreign service officer like Susan Reichle in charge of our policy bureau.

But we've also strengthened pathways for bright students and distinguished mid-career professionals to join the agency through the Development Leadership Initiative. This initiative gained bipartisan congressional support because the previous administration correctly made the case that recruiting smart, experience and capable colleagues into our agency would be cheaper and more effective than hiring contractors.

The DLI program is well-structured and highly selective. For every person we hire, more than 20 highly qualified candidates apply. We are making improvements to this program, bringing in more mid-career technical professionals capable of managing complex contracts and deploying them more quickly to key tasks. This has allowed us to staff priority initiatives like Feed the Future, priority countries like Haiti, Afghanistan and Pakistan and our USAID reform priorities.

To achieve serious reform and development, it is critical that we continue these efforts. Like an enterprise, we're focused on delivering the highest possible value for our shareholders. In this case, the American people and the congressional leaders who represent them. We will deliver that value by scaling back our footprint to shift resources to critical regions, rationalizing our operations and vigilantly fighting fraud, waste and abuse.

USAID has successfully established a new budget office, giving us the flexibility and control we need to be selective and targeted with our work. We've already used this authority to identify hundreds of millions of dollars of program reallocations. Some of these savings come from closing missions, especially in countries where development successes

have created the conditions where American assistance frankly, is no longer needed.

By 2015, we believe USAID can graduate away from assistance in at least seven countries, starting with Montenegro in 2012. Countries that were recipients of aid like India and Brazil, have become donors themselves. We need to develop new strategic partnerships with these countries that respect their rise and leverage their technical expertise to help others. We are doing that with our newly launched Feed the Future partnership with India, in which India is investing to support efforts to eliminate hunger in sub-Saharan Africa.

I've also called for the elimination and restructuring of costly senior positions in Paris, Geneva, Rome and Tokyo, saving us a total of \$7.5 million over five years. These moves also allow us to reallocate talent to priority regions.

You know, when I joined USAID, I was shocked to discover that over 40 percent of all our positions in sub-Saharan Africa went vacant. Any effort that is serious about ending hunger, preventing the spread of disease, preventing the emergence of safe havens for terrorism or creating the markets of tomorrow

must tackle the development challenges in sub-Saharan Africa. It is the epicenter of our work.

People say bureaucracies cannot reorient quickly, but we have realigned our talent and are closing that staffing gap completely. All great enterprises relentlessly focus on efficiency, searching for savings no matter how small they may seem.

Our team has found opportunities to save \$65 million by eliminating or renegotiating leases, consolidating our back-office operations and reconfiguring our IT systems. Even something as seemingly miniscule as changing our default font can save us money in printing costs and we'll do it.

But the real savings will come from how we manage our implementing partners. Every enterprise relies on contractors and depends on them to succeed. USAID is no different. But I want to make it clear. We do not work for our contract partners. Our contract partners work for us.

We are building a culture of oversight to prevent waste, fraud and abuse and vigorously respond when it does occur. I've created a new suspension and debarment task force led by our

Deputy Administrator Don Steinberg and staffed by folks from across our agency.

This task force will provide a coordinated effort to closely monitor, investigate and respond to suspicious activity. As many of you know, we recently suspended one of our largest implementing organizations, pending an ongoing investigation. We will hold all of our implementing partners to strict account, regardless of their size. "Too big to fail" simply does not exist in development.

Like an enterprise, we are listening to and improving the way we serve our customers - in our case, the people of the developing world. Frankly, this is an area where official development agencies - all of them, including USAID - have struggled. Fifty years ago today, President Eisenhower gave a remarkable farewell address warning about the emergence of a military-industrial complex, a war machine that would justify its own existence and expansion.

Today, the development community faces a similar crossroads. Our industry is full of incentives designed to prolong our efforts rather than reduce them or enable transitions. As a result, handoffs rarely happen. Projects are

extended in perpetuity while goals remain just out of reach. There's always another high-priced consultant that must take another flight to another conference or lead another training.

I say today to all funders and practitioners of development, this practice simply must end. (Applause.) Oh, thank you. We need to understand that unlike other industries, unlike an enterprise, we have no interest in our own growth and our own perpetuity. We must seek to do our work in a way that allows us to be replaced over time by efficient local governments, by thriving civil societies and by a vibrant private sector.

USAID is aggressively doing its part to usher in this new era. This agency is no longer satisfied with writing big checks to big contractors and calling it development. We've already accelerated our funding to local NGOs and local entrepreneurs, change agents who have the cultural knowledge and in-country expertise to ensure assistance leads to real local institutions and lasting, durable growth. All of this is part of the most aggressive procurement and contracting reform our agency has ever seen.

One of my best days as administrator was signing an order that created a vehicle to compensate local partners based on their performance - the number of health-care workers trained or the volume of crops actually produced - rather than on how many people were employed, how many trucks were purchased or how many times people flew to a country for a visit. With the single stroke of a pen, I really felt I was making the world a fundamentally better place.

Today, I'm announcing another new reform. I'm proud to say that the vast majority of USAID's assistance is, in fact, competitively awarded - nearly 87 percent. But we can do better. As of today, any grant or contract extensions in excess of \$5 million granted without competitive process will require my personal expressed clearance. Partners need to achieve outcomes that they've committed to achieve in the times they've committed to achieve them. Otherwise, we will seek out those who can.

This year, USAID will celebrate its 50th anniversary. Reflecting on our anniversary has really reminded me of the first time I ever even heard about USAID. I was a young child traveling to Bombay, now Mumbai, to see my relatives. Before

returning home, my uncle insisted that I travel with him to one of the slums near his family's home.

I was shocked by what I saw. There were pits of open sewage and children were running through garbage and through waste. It was clear that none of those kids went to school, and despite being around my own age at the time, they all looked thinner, smaller and more frail than I - which was saying something, if you knew me as a 10-year-old. (Laughter.)

The image of those children has stuck with me for a long, long time. We were the same age and the same race, but the lottery of life guaranteed they would have very, very fundamentally different futures. As we were leaving that slum, there was another image that also stuck with me. There was a billboard describing a local water-treatment system the city was putting in place with the support of the United States, and right in the middle of that billboard was a logo depicting a handshake - the logo of USAID.

In recent years, we've added a tagline that represents that handshake: from the American people. But in my time now at USAID, I've come to learn that our assistance is not just from the American people. It's also for the American people. Our

assistance develops the markets of the future. Longtime aid recipients like India, Indonesia, Poland and South Korea have become strong trade partners and markets for American goods and American services.

I travelled back to India with President Obama just a few months ago, where we saw a solar-powered micro-irrigation pump being sold to small farmers. The solar cells were manufactured by a small company in Georgia called Suniva. That company is growing. They have already created hundreds of manufacturing jobs outside of Atlanta, and they soon plan to build another plant in my home state, Michigan.

That transaction, which brought a solar manufacturer from the United States to selling their product to rural, small-scale farmers in India could simply not have happened without the sustained commitment of U.S. foreign assistance. Our nation's economic future will be in part determined by the countries in which USAID currently does have a strong presence.

In 10 to 20 years, being competitive as a nation will require being able to sell products to an emerging middle class in Asia, Latin America, the Middle East and sub-Saharan Africa. In fact, the combined economic potential of African countries is

higher than the current GDP of China - one of the reasons China is expanding its work in Africa at a much higher rate than nearly all Western countries.

But even today, the developing world looms large in America's economic fortunes. Our country's fastest-growing markets, representing roughly half of U.S. exports, are developing countries. In 2009, we exported over half a trillion dollars to those countries and more than 90 percent of those export revenues went to small and medium-sized U.S. companies - precisely those firms that are the engines of job growth in our country. That's why for every 10 percent increase we see in exports, there's a 7 percent decrease in the unemployment rate here at home.

But in addition to keeping us competitive in tomorrow's global economy, our assistance keeps us safe today. In the most volatile regions of Afghanistan and Pakistan, we work side-by-side with the military, playing a critical role in our nation's efforts to stabilize countries and build responsive, viable local governance. On a daily basis, our people put themselves in harm's way, and they suffer casualties, working on the same problems as our military while using far different tools.

In Afghanistan, we're helping to improve agricultural yields in the Argandab Valley, stabilizing a region in which our military suffered casualties to secure. As a result, farmers shipped the first agricultural exports out of Kandahar in 40 years. We've also rebuilt the civil service in the southeast and helped fuel a 40 percent reduction in the growth of opium poppies that fund Taliban operations.

In Pakistan, our foreign service national workforce and our support for local organizations allow us to go where others often cannot. Through our office of transition initiatives alone, we now administer nearly 1400 small-scale development projects in the Federally Administered Tribal Areas of Pakistan, responding quickly to local needs.

In the Malakand province, we renovated 150 schools so that children seeking an education can look behind extremist madrassas and find viable alternatives. I visited both countries multiple times over the last year, and I can tell you, whether it's establishing basic health services for Afghans or whether it's creating local shuras in northwest Pakistan to promote viable sub-national governance, USAID's work is absolutely critical to keeping us safe and secure.

As a community, we must strengthen the role we play in these situations. Based on decades of experience working in conflict environments, next month we will unveil USAID's first-ever policy on the role of development assistance in countering violent extremism and counterinsurgency.

Our policy will build on tools like the District Stabilization Framework, which was built in close collaboration with the Pentagon to bring a more data-oriented approach to identifying the true drivers of local instability and resolving them with more effect. Ultimately, our work needs to increase short-term stability while easing the transition between conflict, fragile peace and long-term development.

But when it comes to national security, our work goes far beyond partnering with the military to combat al-Qaida and the Taliban. Over the last several decades, USAID, in partnership with the Colombia government, has launched several successful programs aimed at directing farmers away from coca cultivation. We've seen cultivation plummet by as much as 85 percent since 2005 in areas of that country where we did in fact do our work.

And while USAID can work in active conflict or help countries transition away from violence, the most important

thing we can do is prevent violence in the first place. As Secretary Gates himself has said, development is a lot cheaper than sending soldiers. He's also said that everyone should invest more in USAID.

In Southern Sudan, the USAID mission is working hard to ensure that inspiring expression of democracy does not lead to yet another bout of regional bloodshed. Our team has been in Juba for years, implementing projects that set the stage for the recent, historic referendum. In fact, many other bilateral and multilateral partners like DFID and the World Bank co-invest in programs and projects we've helped set up in that part of Sudan.

Five months ago, when the world seemed convinced that the recently completed referendum would not occur, our team worked with the Southern Sudan Referendum Commission, the United Nations and local NGOs to design, procure and pre-position ballots. We believed in being prepared. That foresight allowed the historic referendum to proceed on schedule and in an orderly manner. So far, as we all know, the region has avoided a descent into large-scale violence, and we keep our fingers crossed for a positive and effective outcome.

Having lived through genocides in Rwanda and Darfur, we remain committed to preventing the kind of ethnic persecution we've so often seen in that region in the past. When we prevent violence in Southern Sudan, we are not just avoiding future military involvement. We're also expressing American values.

When school children organize bake sales to pay for anti-malarial bed nets, it sounds like they're health economists because they know the efficiency of that intervention, but they are expressing American values. When more American families give money to the relief effort in Haiti than watch the Super Bowl, that is an expression of American values. When church groups across the United States raise money and volunteer to support children who are orphaned by AIDS in sub-Saharan Africa, they are expressing American values.

Just last week, I attended a mass commemorating the one-year anniversary of the tragic earthquake in Haiti. I was impressed on the way out by a flier Catholic Relief Services distributed describing all of the great work they were doing to protect survivors and save lives in Port au Prince.

I'm proud to know that USAID is one of CRS's largest supporters, but I'm also proud to know that we support a wide

range of faith-based organizations from Samaritans First to the American Jewish World Service. Faith-based organizations not only express the moral values of millions of Americans. They also provide some of the most dependable support systems for millions of people in the developing world. In Kenya, for example, 30 percent of all health-care services are provided by Christian hospitals.

Our success depends on listening to these groups actively, connecting with them deeply, leveraging the trust and the partnership they've nurtured in communities where they've practiced for a very long time and supporting the vital work of organizations of faith around the world.

I know that my remarks today reflect a lot of tough calls for change. I know that over the last year and in the coming year, I've called for a lot of shifts in how our community and how our agency and how our staff operate. Change is never easy, and I thank you all for the difficult choices you've made to usher in a new way of doing business in global development.

But I've asked for this change because I believe it is critical to achieving the peace, prosperity and security we all seek. I believe what leading CEOs like Indra K. Nooyi of Pepsi

Co. and A.G. Lafley of Proctor & Gamble believe: that the future of American prosperity will reside on progress in the developing world.

I believe what military leaders like General David Petraeus and Admiral Mike Mullen believe: that development is critical to keeping America safe and secure and keeping American soldiers out of harm's way. I believe what religious leaders like Pastor Rick Warren and Bishop Charles Blake believe: that as beneficiaries of peace and progress, we have a moral obligation and responsibility to assist those less fortunate.

And I believe what political leaders like Bill Frist and Tom Daschle believe: that promoting international development is not a Democratic value or a Republican value. It is an American value, and it serves American interests.

But I really believe what President Obama and Secretary Clinton believe - (laughter) - that together, we have the power to create the world we seek if we have the courage to embrace the opportunity and the willingness to do things differently.

Now is the time to invest in USAID's capabilities so we see the day when our assistance is no longer needed. We have

worked, and our whole team has worked, tirelessly to build a better path to the world we seek. Now we have to have the courage to follow it through. Thank you, and I look forward to our conversation. (Applause.)

MS. BIRDSELL: Well, thank you very much, Raj. That was really an ambitious agenda you laid out, and it's very - I think we can have good hope that you'll achieve it, because you've already done so much, as you explained.

I want to start the questions with one of my own. Some time ago in an informal roundtable at the center, we asked you what authorities and legislation you wish you had at USAID in order to accomplish everything that you want to accomplish, and you gave an incredibly good answer - (chuckles) - which was, there's a lot I can do without additional authorities and legislation.

So what I want to ask you is, do you still think it's true, now that you've pushed the envelope quite far? Do you think that'll be the case for the next several years? And maybe you could put your answer in the context of the big challenges in places like Haiti or Pakistan.

ADMINISTRATOR SHAH: Well, thank you, Nancy -

MS. BIRDSELL: Now, let me motivate the question -

ADMINISTRATOR SHAH: Okay. All right.

MS. BIRDSELL: - as a CGDer. We want to help. You know, we like this ambitious agenda. And one of the ways we can help - we're here on the Hill - I believe, is by creating as much policy space as possible, by addressing some of the concerns you have as an independent group. So your answer might create an agenda for us.

ADMINISTRATOR SHAH: Well, thank you, Nancy. Look, I have asked everybody that I associate with to really be open and to learn as we go. And I have learned myself - and there a handful of things we need that are deeply important.

First and foremost, we have had - we have seen an almost flat or real decline in the operating expense investments in the agency, while we've seen a tripling or quadrupling of program expenditures. That leads to problems. And so we need to resolve that.

And there are a whole set of things we need to do that. The first is reinvestment in our operating expense budget and solid support for our version of the Development Leadership Initiative. And I don't know if Henrietta Fore is here today, but I -

MS. BIRDSELL: She is here.

ADMINISTRATOR SHAH: I really recommend - I just congratulate her on her foresight for that. But we have to continue this program. We're making the right changes to it. And we're going to need strong support to make that happen.

Second, we need to have a system in place so that when we take on program responsibilities, we're building the organizational capacity to oversee those programs, to do the kind of monitoring and evaluation I talked about today, and to create a culture of learning and accountability.

That requires having a thing we've asked for called the Working Capital Fund, so that we can take a percentage, perhaps 1 percent, of resources available - the State Department has this; USAID does not - and invest that in the actual oversights and management of programs, and build capacity to do that.

MS. BIRDSELL: Maybe the State Department would share some of its - (laughter) -

ADMINISTRATOR SHAH: Well, the secretary has been very supportive of everything on this list, so -

MS. BIRDSELL: Okay, good.

ADMINISTRATOR SHAH: So you know - and we are going to Congress requesting these things in different forms. We also require Schedule B hiring authority. That might be a little bit detailed here, but I - you know, we can't have a situation where we're just doing everything through contracts, or we're paying other departments and agencies 12 or 15 percent fees for the luxury of contracting somebody.

That is just an inefficiency in the system. I can save 12 to 15 percent per FTE if we had Schedule B hiring authority across hundreds of FTEs. It's a simple and easy efficiency that we owe American taxpayers, and it's how you build organizations that are flexible and learning and great over the long run. So that's another thing.

We have these big initiatives in Feed the Future and in global health. I think in both cases, we want to work with Congress to look at how to get the level of buy-in support and codification of those efforts - in food, in particular.

And I've said this before - a USAID administrator coined the term "green revolution." And in 1968 or '69 - I'm not sure of the exact year - the single largest line-item in our budget was fertilizer support for India because everybody thought hundreds of millions of people would starve to death.

We again are today reading newspaper articles about a food-price spike that will cause famine, will cause food riots and will cause tens of millions of people to go hungry if prices continue to rise. And we need to reinvest in agricultural development. This administration has been deeply focused on this. The president mentioned this effort in his inaugural address. The secretary has hosted the process of developing the program.

We now need to implement it well. That will require, I think, legislation and will require real support so that that effort can become a signature initiative for the way America

engages proactively and cost-effectively on development issues around the world.

MS. BIRDSELL: Should more of that money go to USAID, or to the World Bank, or to other -

ADMINISTRATOR SHAH: Well, we - I'll say, we - actually, oops - I'm quite agnostic about - did I just break a chair? (Laughter.) I think so. (Chuckles.)

MS. BIRDSELL: We do that to our guests.

ADMINISTRATOR SHAH: We do that to our guests. We're sorry. At least we're not actually in CGD. The answer to that is, we're looking for ways to get leverage and impact.

So you know, I am a very strong supporter of funding for the World Bank trust fund, which we worked to help set up. We think when you put resources in that multilateral vehicle, it generates leverage by attracting resources from other partners. And it becomes something that African leaders and other leaders around the world can sort of focus on, develop plans, submit them to the fund - achieve a level of excellence in that process that will then benefit all of the bilateral partners.

So I think in Feed the Future, a major funding priority is that fund and making that work at the levels we've talked about as an administration. We're also, of course, very focused on the bilateral assistance program, which will effectively be implemented by USAID working in partnership with USDA and a number of other federal agencies that have unique capabilities.

And ultimately, I think this is an area also where you'll see tremendous private-sector investment. In just a week, I'll announce a set of really, I think, important - and I hope you will think impressive - private-sector partnerships. Because at the end of the day, what we're trying to do is create kind of commercially viable agriculture sectors in these countries to eliminate the fact that every time prices do spike a little bit, it creates a lot of unrest and a lot of human suffering.

MS. BIRDSELL: Okay. Let me turn to this very distinguished group for questions. We have Connie, who now has a big agenda to follow: tracking all the promises you made - with support and encouragement. (Chuckles.)

ADMINISTRATOR SHAH: Yeah. (Chuckles.)

Q: Thank you so much. Ever since you became administrator, you've put so much of a focus on evaluation. And those of us that have been advocating for years are delighted that you're doing so, especially my colleagues at CGD - before I came to CGD, of course.

You know, it's so important - it's critical that we know what works. But it's equally important to know what doesn't work and why. And you know, generally when you find something that doesn't work, you have two choices: to fix it or to kill it.

And I raise this question only because we're facing a tough budget environment where USAID may have to be doing more with less, or with a stagnating budget. So I'm wondering how does the outcomes of this evaluation process feed into your decision-making and budgetary policies within this environment?

MS. BIRDSELL: Will you ever end it, instead of fixing it?

ADMINISTRATOR SHAH: Absolutely. Let me give you a couple of examples. First, let me, before I even start, say that Ruth Levine, who is here and who everybody in this room knows, is the person most responsible for creating and launching the

evaluation policy. And I think we owe her a round of applause.
(Applause.)

MS. BIRDSELL: For those of you who don't know, a former vice president at the Center for Global Development.

(Laughter.)

ADMINISTRATOR SHAH: That, too. And one thing I want to just highlight, because I think this is true of all development organizations, not just USAID, is we do a lot of - in our sector - a lot of reporting on results, but not enough measurement against counterfactual. And they tell me not to use that word in public because of this - for all kinds of messaging reasons.

But the reality is, we got to have study designs that allow you to compare impact against real counterfactuals. And that's at the heart of this. That will allow this to actually - one of our legacy items, we hope here, is sort of funding randomized controlled methodologies at a much higher level so that we generate the kind of insights and learnings that led to, you know, huge increases in utilization of chlorine tabs in Haiti during the earthquake response, and more effective fertilizer sales to farmers in sub-Saharan Africa, and all of that.

But your question was different. And the answer is yes. I'll give you a couple of examples. We were in Senegal, which is one of our Feed the Future 20 priority countries. And we worked to construct an optimized agricultural development strategy there based on rice and dairy, strategies that will work in partnership with the government, leverage real private-sector investment and reach, you know, hundreds of thousands of smallholder farm households, and have, you know, systemic impact.

To do that, we had to look rigorously at what we were doing and make the tough decision that we were no longer going to support, you know, women who are in cooperatives producing honey and jam and selling the honey and jam. Now, that program did, in fact, help poor women move out of poverty. And it was not pleasant to tell the team that we weren't going to do that anymore.

But the way we're trying to do our work now is to look at what's the unit cost of impact. And if you can use those same resources to have, you know, four or five times the kind of scale and impact, then you have to stop doing what you were doing and start doing something new.

And I give a lot of credit to the team in Senegal, but frankly, I met today with the teams in Liberia and Malawi. They both made similar tough reallocation decisions. I think people appreciate the opportunity to make those tough calls and to stop doing things when they see better alternatives.

I suspect there are fewer things we're going to find, you know, that are just completely not helpful to people, right? We're in an industry, in a business where there are billions of people live in poverty, and most of our efforts are going to help those people. The question is, how do you help the most people the most efficiently and the most effectively? And how do you stop doing the things that essentially have a unit cost of impact that is unnecessarily high?

MS. BIRDSELL: Very good. Yes, please introduce yourself, please.

Q: Hi. Thanks. Lisa Friedman. I'm with ClimateWire. And maybe you'll be able to tell that I'm - (inaudible) - publication.

MS. BIRDSELL: Oh, I'm glad we're going to have a climate question. Good.

Q: (Laughs.) It's a climate question. And in fact, I've been hearing for quite a long time now that USAID is going to be taking a leading role in international climate efforts. To be perfectly honest, I haven't seen much from USAID.

I'm wondering what have the challenges - have any been - what is, specifically, USAID doing to integrate helping countries deal with climate change into its larger development efforts? And what is its role in the other initiative that you didn't mention, which is the president's Global Climate Change Initiative? Thanks.

ADMINISTRATOR SHAH: Well, you know, we're a leading implementing partner for the president's climate change initiative. And we are all fully committed to the success of that initiative.

I would say a couple of things. One is, you know, Todd Stern at Cancun this year issued a report that USAID authored that described what the U.S. government was doing against our climate commitments. And I think that would be actually a pretty detailed exposition of how we're living up to those commitments, both as an agency and as a federal government.

The second is, you know, we used to do quite a lot of analysis, which is appropriate, about how do you help countries have green-growth strategies and low-emission growth strategies and low-carbon growth strategies. We are still investing in that kind of analytics. That's always useful. And we're tying that more closely to our diplomacy-based dialogue with countries and heads of state that take a real interest.

But we've also reoriented our approach to focus much more on public-private partnerships that actually bring private dollars and private firms in on, you know, RED-type programs or low-emissions efforts. And we will be announcing soon - we already have been announcing - we will announce soon a few new public-private partnerships that use our resources in a way that just sort of sweetens the pot for private entities to really make the big commitments in investments.

And I think that's the right approach because when you think about what a development agency has to offer, it's basically the intellectual underpinnings of what are your options in terms of green growth and low-carbon growth strategies. There's a lot of opportunity to stimulate greater technological development so that you have the kinds of

technologies that can power low emissions and low-carbon growth strategies.

And we need to use all the tools at our disposal to motivate as much private investment - both from U.S. and international firms, and local firms - to achieve those goals. So that's our basic approach. And I think it is delineated in the document that Todd distributed.

MS. BIRDSELL: Okay. Ed?

Q: Raj, thank you for coming. And thank you very much for your remarks with respect to the role of the faith-based community and those organizations that have been at it for a long time. I think they serve a very effective extension of what USAID does, both in the development area and in the global-health area.

I have two quick questions. One is with respect to the Chinese. Are you concerned - there is a lot of things written about it, and a lot of talk about it, and when you go to Africa, you can't help observe it. (Chuckles.)

Are you concerned that the Chinese, because they don't have to behave kind of the way we are obliged to behave because of our legislation and regulations, that they are going to tie up commercial relationships and tie up access to commodities in a way that is very disadvantageous to the United States? And do we have a strategy to respond to that?

And secondly, in the areas where there's conflict or crises such as Afghanistan and Iraq - and we read that the military is playing such an extensive role in development.

Are you involved and are you satisfied that there are some sensible training and preparation programs so that the military can do what it does in the area of development in the most effective way?

DR. SHAH: Well, thank you, Ed. And those are both big questions - (chuckles) - so I'll try to be effective in answering them.

The question about China - you know, I'd say two things. First, we are engaged with our Chinese counterparts in a real dialogue about - and, actual programmatic partnerships in places

like agriculture in Liberia so that we can develop more experience working together.

We can coordinate our efforts and we can try to establish an appropriate set of standards for how assistance is provided and what the outcomes of that are and who benefits - and making sure that the benefits accrue both to partners that are making the investments and the countries that are often the recipients of those investments. So we're in an active dialogue.

I visited the Strategic and Economic Dialogue with Secretary Clinton and Secretary Geithner in China. Our teams are part of the discussion during this current visit.

Second, I would say - and I made a point in the speech of highlighting this - the Chinese investment in sub-Saharan Africa is a multiple - the rate at which they're growing that investment is a multiple of what Western countries are doing.

And I think it is absolutely in our long-term economic, security and other interests to make sure that we are both doing our work in sub-Saharan Africa in ever-increasing ways, doing it with a real focus on transparency and governance and that we are setting a tone that allows people to see the different types of

approaches that can be taken in development and allows countries to be a part of that dialogue.

Because there's a very real risk that, you know, investing without having those kinds of standards attached to those investments essentially turn into extractions of resources without leaving any real benefits over the long term.

So it is, I think, in our interest to expand our work in sub-Saharan Africa. And this administration, if you look at the resources, has proposed that in a very consistent way through primarily our initiatives.

With respect to the military, you know, I've now had the chance to work quite closely with senior leadership there and visit our programs in active conflict zones. I think - I think both things are true. Development practitioners have to do a better job of understanding the political and operational priorities of a military campaign and providing our guidance and our ideas in a manner where it can be heard by a system that necessarily is going to be thinking about what happens in a month, what happens in six months, what happens in a year, what happens in two years?

If development folks are all talking about 10-, 15-year-type outcomes and efforts, we're going to make ourselves less relevant to what's actually happening. And it's a bit of an art. I think our people have learned this through Iraq and other experiences and are doing a much, much, much better job.

And if you look at how we're doing integrated-program planning now in Afghanistan, I would say that that has been taken in a real way and it gives us a much bigger voice in how things are happening.

At the same time, I also believe that the - you know, the military has to do a better job of understanding the core insights that the discipline of development has to offer around sustainability, around building local governance and being community oriented in the way work is done, and around measuring results and comparing different projects in doing that.

Now, we can only be effective at preaching on those things if we are practicing those things, and so - so we have to do both.

But I am seeing both sides sort of come together in an acknowledgement that the development community has something

unique to offer. It's quite important. It is central to success and critical to our national security. And that's why, you know, Bob Gates and Mike Mullen and all the rest of the senior military leadership are such vocal advocates for development and for USAID to have more resource and capacities to be good partners.

MS. BIRDSELL: Okay, we have time for a couple more questions. If it's okay, Raj, I'll take them all together. Noam, introduce yourself please.

Q: Thanks, hi. I'm Noam Unger from Brookings. I think you covered a lot in your speech and I just wanted to ask one question which has to do with - you spoke very forcefully on the issue of the aid - the aid industrial complex, let's say, and more forcefully than I've heard so far and I think it's well-placed.

But at the same time - and, as you know, I believe that our aid and our development policies really do benefit the American people. But in your economic arguments for the benefit, the first argument that you use is jobs, and you talked about this power company - solar-power company in Georgia. But isn't it precisely that focus - and if you wanted to maximize jobs - that

leads and feeds into this aid industrial complex of contractors and sort of procurement benefits for American companies?

And how do you walk that line because I think the argument about U.S. exports to developing countries is a much more compelling economic argument, but it's the jobs argument that's very salient here on the Hill. So perhaps you could just expand on that? Thanks.

MS. BIRDSELL: Before you go - for that we'll give you a moment to think about that tough question. Yeah.

Q: Hi. I'm Ian Schwab with American Jewish World Service.

MS. BIRDSELL: You got a shout-out.

Q: Yes - (laughter) - we appreciate the shout-out. Thank you.

MR. : Well-deserved. (Laughter.)

Q: So I had a question. You talked a lot about evaluation and you talked a lot about Haiti. And I wanted to ask you a sort of question that deals with those two issues. I was

wondering if you could evaluate USAID's work particularly in, let's say, the last six to nine months - not the immediate aftermath - and particularly in relation to partnerships with Haitian civil-society groups and Haitian business and also in relation how to you do smart evaluations when there is such a complicated situation and there are so many players working in similar fields.

MS. BIRDSEL: Okay. That's a good one. Yes, please.

Q: Hi, Jerry Hagstrom from the National Journal and the Hagstrom Report. Feed the Future is, in a way, your signature issue and you've talked a lot about evaluation today. Have you started evaluating Feed the Future? Or how soon will you? And how soon will you announce your findings on how your projects are going?

MS. BIRDSELL: I'm going to add one more. It's unfair because then you only get one minute to answer them all - (laughter) - but it means you skip some if you want. (Laughter.)

We've been concerned about how development - a voice for development can be a stronger one at the National Security

Council, the National Economic Council. And this come up in the context of climate, where it's not just about implementing programs but about overall strategy as it - of the U.S. as it affects developing countries.

And then I think it comes up in the context that you raised in answering the question about the frontline states. The development practitioners should be more conscious and understanding of the short-term imperatives of the military and perhaps the diplomats but then -

DR. SHAH: And vice versa.

MS. BIRDSELL: But then where is the setting in which they have to at least see the possible tradeoffs between those imperatives and the longer-run benefits of what you called prevention of future conflict in the future-failed states? Where do you get to have your voice where they need to at least listen? The decisions might not be exactly what the development world would always want, but where there's a recognition that there is a tradeoff.

DR. SHAH: That's good. I'll take those in order. On the first question, Noam, thanks for it.

You know, I think of them as actually very different things. We're not proposing creating jobs by supporting, you know, in a tide, assistance manner, job creation through contracts.

The partnership between Jain Irrigation and Suniva is actually based on the fact that Suniva has the most appropriate solar panel for the small, cheap, PVC-based micro-irrigation system that Jain had created. And it was our assistance work that helped that partnership come together and work, but it was not a sort of mandated rule that they would have to store solar panels in the United States.

Let me - but that's okay. It doesn't have to be. The whole point is to allow markets to operate and to allow people to look for wherever they can find those types of opportunities.

In terms of the comments about the aid industrial complex, as you called it, I think - I think we just have to be honest about the fact that if we're not building real incentives into the system to transition to make our projects more sustainable, to work through host-country systems and ministries or local institutions, you know, we're not going to have viable, long-

term sustainability strategies. And at the end of the day there are two things that sustain development activities: local public sector, local private sector.

And we need to take that much, much, much more seriously in how we do all of our projects and all of our work. And whether - you know, and the rest of the comments about procurement reform and about everything else is all very respectful of the critical role implementing partners played.

But I don't think I'd be being honest if I didn't say in strong terms that that system needs to change. And it's not just for USAID. It is - you know, it is a pervasive system. You all know the books that are out there that we read that highlight some of the anecdotes that derive from that system, whether it's with respect to World Bank partners or DIFED (ph) partners or anybody else.

On evaluation in Haiti and how we did over the last six to nine months. You know, I think we have actually done the "Haiti: Lessons Learned" to start to answer those questions. That will be a publicly available document and we're making some changes based on it. There are two or three things.

I'd say one is we have been focused on sending procurement-reform teams to Haiti so that we can do some of the upcoming major reconstruction procurements in a way that builds local capacity.

The example I'd use is I had the chance to personally see how, instead of going with certain contractors, I could have just put up housing. We were working with local construction firms, helping people develop - I learned more about rebar and cement quality than I ever thought I would know. But those are the - you know, being able to use rebar based from local materials, often from the rubble, and use better quality of cement production locally, allows you to build back damaged homes to a higher earthquake standard and allowed us to work with and nurture a local construction industry.

That's just one example of, I think, what we have to do more of as we do the construction, is to make sure that we leave a vibrant, capable, local economy with diverse local firms. The challenge is that slows the process a little bit because it would always be faster to just go in with prefab housing and I can't tell you how many offers we got to, you know, manufacture that prefab housing elsewhere. So I think it's a real challenge, but it's something we're very focused on.

On Feed the Future, I would say we will very shortly - I think probably within a month or so - issue a comprehensive-results framework that describes in all 20 countries, by country and in aggregate, how many people are moving out of poverty and hunger because of our programs and efforts and how many children are suffering - are not suffering, are no longer suffering from undernutrition because of our efforts.

I was just in Guatemala and I saw one of our programs that has reduced child stunting by 28 percent by incorporating essentially the findings of the Lancet Series on child malnutrition over the last five years. And I think that kind of data - we owe that data to the public and to Congress and I'm then hoping that that data leads to a recognition that this is efficient transformative development that can - that can be very, very effective and ought to be supported at a high level.

I also - consistent with our evaluation policy, every program we launch, the evaluations will be public within three months of completion. And I think that - once that actually builds into the culture, I think that's going to be amazing. I think that is going to be such a platform for learning and

thinking in development that it's going to take us all forward considerably.

And then finally on the NSC question - and the NEC, I would just say, you know, the example I would use is the recently conducted Afghanistan-Pakistan Annual Review. That was a review, the findings are - there's a public version of the findings that talk about the need - that talks about how we've had serious gains against the president's strategy. We remain committed to that fundamental strategic approach and our goal now is to make those gains sustainable and durable.

And I would just say that I've been very impressed by the extent to which a development voice not only helped shape that review, but is helping to shape how we make decisions going forward on making sure the things that we do in those types of environments are in fact sustainable and durable. But like I said, I think in order to have a seat at that table as we now do, we have to be self-critical and understand that our perspective has got to be relevant to the short term as well as the long term and so it's a little bit of a give and take.

But I'm excited that development has that seat at the table because it leads to better decisions that will save lives and

save money. And ultimately it leads to our overall message that development is, in fact, a core part of both our economic security and our national security.

MS. BIRDSELL: Would you all join me in thanking Raj Shah.
(Applause.)

(END)